

Performance Measurement in Mississippi State Government

Legislative Budget Office

Performance Budgeting and Strategic
Planning Training,
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Our Goal Today

- Familiarize ourselves with the basics of *Performance Measurement* and *Strategic Planning* used in the Budget and Appropriation Process

- At this time, we are not changing the process (we may tweak it in the future)
- Legislative leadership has asked LBO and PEER Committee staff to Reinvigorate and Re-emphasize
 - Performance Measurement
and
 - Strategic Planning

Disclaimer

- There are many valid systems used to produce Strategic Plans and to measure performance in government.
- The system we are reviewing today is based on the “Mississippi Performance Budget and Strategic Planning act of 1994.”

Getting Down to Basics

Question:

- What is the purpose of government?

Answer:

- To provide services to the citizens of the State.
 - Usually Services no one else can or will provide
 - Or, the citizens can't afford (mental health services, long term nursing care, etc.)

Question:

- How do we know if government is meeting its challenges?

Answer:

- By measuring performance

- Significant Changes In
the Mississippi
Budgeting Process

Biennial to Annual Budgets

- Legislature only met every 2 years
- Therefore budgets were prepared every 2 years.
- In 1968, Legislature met until August. (4-5 months longer than it does today)
- 1969, Legislature met and passed Annual Session legislation along with an annual budget

Governmental Reorganization Act of 1984

- In response to the “separation of powers” lawsuit brought by Atty. Gen. Bill Alain
- It abolished the Budget Commission
 - (Legislators served on executive boards and commissions)
- Created the Fiscal Management Board (most duties now done by DFA)
- Created the Joint Legislative Budget Committee of the Legislature and the Legislative Budget Office
- Provided for submission of a Governor’s budget

HB 1369 of the 1986 Regular Session – Program Budgeting

- Required budgeting by program in the FY 1989 budgets.
- Several agencies were pilot agencies for program budgeting for the FY 1987 budget
- Was in response to severe budget shortfalls in 1986 and 1987
- BUT.....
- The most dramatic change was

Budget Reform Act of 1992

- 1992 – national and state recession
- Budget cuts of \$91 million in FY'91 and \$74 million in FY'92
- State had no reserves to fall back on
- In response, the Legislature Passed the Budget Reform Act of 1992

Budget Reform Act of 1992

- 3 major provisions:
 1. Restructured emergency reserve accounts (rainy day fund = to 7.5% of current year appropriations)
 2. Limited appropriations to 98% of estimated revenues
 3. Required LBO to conduct a study of state budgeting systems

Study of State Budgeting

- Study of the other 49 states' budgeting systems
- In-depth study of Mississippi's budgeting system
- Resulted in a package of 21 recommendations
- Adopted by the JLBC in 1992
- Legislature passed "Mississippi Performance Budget and Strategic Planning Act of 1994"
- This required performance budgeting and strategic planning with the FY 1996 budget

Miss. Performance Budget and Strategic Planning Act of 1994

- What is performance budgeting?
 - It is a system which seeks to link the funding provided to an agency with specific results to be achieved by that agency

FUNDING = RESULTS

Miss. Performance Budget and Strategic Planning Act of 1994

- What is strategic planning?
- Looks beyond the upcoming fiscal year to identify intermediate term and long-range goals and problems
- Formulates a plan to achieve these goals and solutions to these problems – in a proactive (rather than a reactive) manner

Miss. Performance Budget and Strategic Planning Act of 1994

- How is performance budgeting different from what we had been doing?
- The old system:
 - Considered performance in an informal, unstructured way
 - Subjective, no formal hard facts and figures
 - Focused on funding, not on results of that funding
 - 1 year at a time view

Miss. Performance Budget and Strategic Planning Act of 1994

- This act creates a more “results oriented” budgeting system
- Links budgeting with long-range planning
- **HELPS TO AVOID CRISIS MANAGEMENT**

Benefits of Performance Budgeting

- Helps government demonstrate its accountability to the public in more objective terms.
- Help state agencies and the Legislature focus on what is truly important – what results are expected in exchange for the funds invested
- Gives agencies the opportunity to “toot their own horn” to the Legislature and to the public
- But the greatest benefit...

Benefits of Performance Budgeting

- To quote David Osborne's book, *Reinventing Government*:

“What gets measured gets done”

Motivational Effect

- Setting goals and measuring performance in any organization provides a motivational effect
- Helps prevents the “*It doesn’t matter what I do, no one will know or even care*” attitude

Motivational Effect

- Organizations and employees will produce what is expected of them *if they know *what* is expected of them.*

Former Speaker Tim Ford

- *“If we gave them the money, we wanted to know that they did what they promised”*

The Power of Performance Measurement

- What gets measured gets done.
- If you don't measure results, you can't tell success from failure.
- If you can't see success, you can't reward it.
- If you can't reward success, you are probably rewarding failure.
- If you can't see success (or failure), you can't learn from it.
- (from *Reinventing Government*, David Osborne, Ted Gaebler)

● Strategic Planning

Requirements for the 5 Year Strategic Plan

- *Agency leaders* set a long-range course of action for the agency
- This includes a comprehensive mission statement
- Performance objectives (usually Outcome Measures) for each program, for each of the 5 years
- Significant external factors which may affect projected levels of performance
- Agency's internal management system used to evaluate its actual performance verses its targeted performance levels

5 Year Strategic Plan cont.

- Must identify funding levels necessary to meet targeted goals

Purpose and Benefits

- Strategic planning requires that agency leaders thoughtfully set a long-range course of action for the agency that takes into consideration:
 - the agency's mission
 - the agency's resources
 - all external factors affecting the agency's ability to meet targeted goals

Purpose and Benefits Cont.

- The strategic plan should identify the services to be provided by the agency
- Address issues which are of interest to the public served and should focus on results rather than efforts
- Strategic planning should be done at all levels of the agency and should include input from clients of the agency when possible

Purpose and Benefits Cont.

- An agency should regard this process as an opportunity to clarify its purpose and direction, and therefore, develop a stronger agency identity
- Strategic planning will enhance an agency's ability to make the Legislature aware of anticipated future opportunities and problems
- It is an ongoing process. Each year, each agency is required to submit a new strategic plan based upon a review of the agency's mission and goals

Data Consistency

- Information provided in the 5-year strategic plan should be consistent with that provided in the budget request submission.
- The program financial data and performance targets should be the same for both the strategic plan and the budget request submission.
- Agencies should carefully review their plans prior to submission to insure accuracy of all information.

Supporting Information

- All agency plans must be presented in the format provided and must contain all element included in the instructions.
- Any additional information that agencies wish to provide in support of their strategic plans may be included at the end of the strategic plan document

Document Requirements:

- In order to make review of the agency 5-year strategic plans proceed easier, please use the following uniform, standard form:
- 1. The plan should be prepared on letter-size paper (8 1/2" x 11")
- 2. Pages should be numbered at the bottom of the page.
- 3. The plan should be bound with a single staple located in the top left-hand corner.
- 4. The plan should follow the format set out in the instructions (see LBO website).

Other Details:

- This year (FY 2015) 5-year strategic plans will be due *September 15, 2013* with the following distribution:
- 16 copies to the Legislative Budget Office
- 2 copies to the Department of Finance and Administration Office of Budget and Fund Management
- (same distribution as the Budget Request)

Comprehensive Mission Statement for the Agency

- This identifies what the agency does. The mission is the reason for the agency's existence. Agencies should refer to their enabling legislation in an effort to identify why and for whom it carries out certain functions.

Overview of the Agency 5-Year Strategic Plan

- Each agency will provide a narrative overview which sets out the planned direction of the agency for the next five years. This overview should include, but not be limited to, a statement of desired agency goals and formulated strategies for attaining these goals for the 5-year period. The strategies should reflect agency priorities and a linkage to funding.
- Agencies should include any information that will provide a better understanding of where the agency is headed and how the agency plans to get there.

Performance Targets for each Program for FY 2015 through FY 2019

- These performance targets are achievable, measurable targets set out by the agency which identify the planned direction of the agency's efforts in carrying out the mission set forth for the agency.
- The Mississippi Performance Budget and Strategic Planning Act of 1994, mandates that performance targets be provided for each program of the agency for each of the five years covered by the plan.

Performance Targets for each Program Cont.

- For each year, the agency should also formulate a strategy for achieving the targeted goals.
- Supporting data which identifies funding necessary to carry out this goal should be included.

Description of significant external factors which may affect the projected levels of performance

- Each agency will identify external factors which influence its ability to achieve its targeted performance goals.
- An assessment of these external factors will enable the agency to plan for opportunities and challenges presented by forces beyond the control of the agency.

External Factors Cont.

- These external factors might include, but are not limited to,
 - redirection of agency mission due to a change in state statutes or regulations
 - changes in the economy
 - changes in federal statutes, regulations or availability of funding
 - changes in technology
 - pending litigation (ex.- DHS & DMH)
 - changes in the make-up of the population served by the agency

External Factors Cont.

- While the availability of state funding is a consideration in this process, it will be more meaningful to identify those external factors which are not directly influenced by financial resources provided by the appropriation process.

Description of the agency's internal management system utilized to evaluate performance achievements in relationship to targeted performance levels

- Each agency will identify internal management systems used to evaluate its performance.

Agency's Internal Management System Cont.

- This description of the agency's internal management system will need to include:
 - 1. management policies in place
 - 2. operational procedures, tracking procedures
 - 3. organizational structure
 - 4. any other information which will aid the Legislature in understanding how the agency evaluates its performance and how this evaluation impacts the budgeting of funds

5-year strategic plan example

- A 5-year strategic plan for a non-existing agency has been included at the LBO website for your information.
- http://www.lbo.ms.gov/index_files/abrs/reqforms/5year_inst_exs.pdf
- This example is provided simply to assist in the development of a format of a 5-year strategic plan. Please do not let this example limit or restrict your efforts in any way.

- Mississippi Department of Health has a very good 5 Year Strategic Plan.
- Strategic Plan 2013 - Mississippi State Department of Health

● Performance Measures

Performance Measurement Tools

- Outputs
- Efficiencies
- Outcomes

- Some states use Performance Measurement systems that include:
 - Inputs
 - Measurements of quality and/or public satisfaction

Mississippi doesn't include these (yet)

Performance Measures

Must be:

- Reliable
- Meaningful
- Trackable
- Cost Efficient (to gather)
- Reviewed and Updated
- Timely

Outputs

- Are a means of quantifying the services provided by an agency
- Volume produced in a certain period of time
- Example: (per year)
 - Number of participants starting the program
 - Number of participants graduating from the program
 - Number of vaccinations given
 - Number of licenses issued
 - Number of people rehabilitated
 - Number of patient days
 - Number of people served

Efficiencies

- Are the ratios that measure the productivity or effectiveness of the program
- Cost per unit of output, percent completed, time to complete a specific action, etc.
- Example:
 - % of persons starting a program that graduate
 - Cost to rehabilitate one person
 - Cost per patient bed per day
 - % of licenses issued within goal of 30 days
 - % of complaints investigated within 72 hours
 - Time per audit completed
 - Cost per audit completed

Outcomes

- Is the result or impact of providing services. It is the measurable results of funding a program
- It is an assessment of the impact or public benefit of agency actions
- IT IS THE BIG-OVERALL RESULT
- Example:
Alcohol Safety Program – Decrease in the number of accidents due to drunk driving

Outcomes (continued)

Health Dept. – Reduction in the incidence of tuberculosis in the population.

DHS – Decrease in the number or percent of the population under the federal poverty level.

Mental Health – Reduction in the number of people sent to jails who are in need of treatment

Outcomes (continued)

- Most difficult measure to establish and measure
 - Programs may not have a meaningful outcome
 - Programs may not have a measurable outcome
 - Outcome data may not exist or would be too expensive to obtain
-
- These four are the exceptions, not the rule

Outcomes vs. Outputs

- OUTPUT: The number of patients treated and discharged from Miss. State Hospital
- OUTCOME: The number of discharged patients who are capable of living independently

- OUTPUT: The number of vaccinations given by the Health Dept.
- OUTCOME: The reduction in the incidence of the disease in the population
OR: The % of children vaccinated

Performance Measures

Outputs, Efficiencies and Outcomes

OUTPUTS	EFFICIENCIES	OUTCOMES
Number of adult students completing adult literacy course	Cost per student % of enrolled graduating	Change in the literacy rate in the state population
Number of clients served by the TANF program at DHS	Cost per client served Caseload per staff person	Number of people below federal poverty level in the State
Number of permits issued by DEQ for activities Impacting Wetlands	Cost per permit issued Number of days to issue	Number of entities or % in compliance with DEQ regulations
Number of people served by Employment Security Commission	Ratio of employment counselors to people served. Counseling hours per person served.	Percentage reduction in unemployment

How Many Measures?

- The scope of the program determines the number of measures
 - Small programs with limited scope – one measure may be sufficient
 - Large programs covering many activities
 - Agency will have to determine the most important and meaningful measures to include
 - Many measures may be necessary to adequately cover the activities of the program

Performance Measures

- Good Performance measures are rarely created in a single undertaking
- They evolve over time (but not too fast)
- However, as long as a measure is meaningful and relevant, it should be kept (don't change them every year so that performance cannot be compared year to year)

Consequences

- You have to think-through performance measures chosen according to your goals and objectives to avoid possible unintended consequences
- CHIPs – Goal: to enroll every CHIP eligible Child.
- Result – 3 Medicaid eligible children found for every 1 CHIP child
- Consequence – A \$240 million dollar Medicaid Deficit and higher cost every year

What is Wrong with this Picture?

- Output for Dept. of Human Services:
- Number of people on the SNAP (Food Stamp) program
 - (What other information needs to be given)?
 - What is your goal, increase or decrease?
 - Did the number increase or decrease from last year?
 - Several year trend? (longitudinal data)
 - Reasons for the increase or decrease?
 - More poor people (bad economy)?
 - Change in eligibility rules that increase the program?
 - More people got jobs and left the program?

Establishing Good Measures

- Generate initial list of outputs, efficiencies and outcomes
- Narrow initial list down to key measures
- Determine what is needed to collect necessary data
- Review current performance and set targets for future periods
- Measure against targets
- Review

Changing Existing Programs or Performance Measures

- 1. Send a joint letter to DFA and LBO requesting proposed changes. Both offices must jointly approve the request to become effective
- OR
- 2. Request proposed changes to both your House and Senate Appropriations subcommittees

Uses for Performance Measurement

- Make better decisions for services provided
 - Based on facts, not supposition
- Evaluate program performance
 - Using reliable, meaningful data
- Initiate discussion regarding program operations and results within your agency

Uses for Performance Measurement cont.

- Improves management practices
 - An unbiased way to rate programs
 - Reduces the need for micro-management
 - Enhances accountability
- Aids in budget development and review
 - More accurately assesses the need for resources
- Make programs more understandable
 - To the Legislature, Reviewers and the Public

Threats of Performance Measurement

- Accountability
- Workload
- External factors
- “Will it last”??

Threats of Performance Measurement

- Accountability – has become a buzzword, not taken seriously
 - When agencies and staff know what it entails, they have less problems with it
- Workload
 - May show lack of performance
 - May show a misallocation of workload
 - May be too much work to keep up with data and statistics of performance measures

Threats of Performance Measurement

- External factors
 - Variables beyond the control of an agency which affects performance
 - LBO has made it a point to educate legislators about these uncontrollable factors (most of it is just common sense)
 - Agencies worry that they are being set up for failure (actually, for success)

Threats of Performance Measurement

- Will it last?
 - The Speaker
 - Lieutenant Governor
 - Chairman of House Appropriations
 - Chairman of Senate Appropriations
 - AND, the Governor
- Are all “on board” to revitalize this process.

Observations on Performance Measures

- Long term process
- Your initial measures may not be your final choices
- Expect setbacks, expect some resistance
- Identify a use for a measure then measure accordingly
- Train staff (and management) in the use and purpose of Performance Measures

Conclusion

- Performance measures are only tools
- They are no more likely to guarantee good government than an accurate speedometer is likely to prevent speeding tickets (it's how you use them)
- If use correctly, performance measures can reveal problems, point toward solutions, then be used to determine how effective the solutions are.

LBO Website:

<http://www.lbo.ms.gov/>

Miss. Performance Budget and Strategic Planning Act of 1994

- The budget request must include:
 - A definition of the mission of the agency
 - Description of the duties and responsibilities of the agency
 - Financial data by agency program
 - Performance measures associated with each program of the agency